

# Treatment of Forests in international GHG trading

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May 28, 2008

# Overview

- Land use, Land–use change and forestry (LULUCF) in the Kyoto Protocol
  - National Targets
  - Clean Development Mechanism
- New Zealand Model

# Forestry in National Targets

- Kyoto Parties must account for *emissions & removals* from afforestation, reforestation and deforestation
- Accounting for forest management and other land-use activities optional
  - No accounting of harvested wood products
- Different rules apply to forestry “removal units” :
  - Limits on the amount of removal units that can be generated by forest management
  - No banking of removal units

# Forestry in the CDM

- Only afforestation and reforestation projects allowed
- Additional certification requirements for A&R projects
- Different rules for certified emission reductions from A&R projects:
  - Limited lifespan – credits must be replaced
  - Limits on use of these credits by developed countries to achieve targets
  - No banking of credits

# A word on permanence

- Kyoto Protocol addresses permanence in two ways:
  - For national targets, countries must cancel units for negative change in carbon stock (e.g. net emissions) = seller liability
  - For CDM projects, buyer of credits must replace units in case of 'reversal of storage' = buyer liability
- Buyer liability
  - Makes tracking complicated
  - Discourages investment
    - Only 1 CDM A&R Project registered to date (out of 1067)

# New Zealand Cap and Trade Program

- Managed forests (est. after 1989)
  - Owners of forest land may opt-in to trading system
  - Once in trading system, owners gain credits for carbon stock increases and incur liabilities for decreases

**Thank you**

# New Zealand Cap and Trade Program

## ■ Afforestation

- Government grants for planting on previously non-forested lands

## ■ Deforestation

- Owners incur liabilities for converting (e.g. must surrender allowances or credits)
  - Exemption threshold
- Some allocation of credits to owners of forested land to offset economic impact of deforestation liability